



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Encore Bancshares, Inc.

Person to be contacted regarding this report:	L. Anderson Creel
CPP Funds Received:	\$34,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/5/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	3555341
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	34378
City:	Houston
State:	Texas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	In 2009, we originated or renewed \$259.7 million in loans, and we would not have been able to extend as much credit, were it not for the additional capital cushion.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	We originated \$148.3 million in residential mortgages and \$111.4 million in commercial loans and mortgages.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	We increased securities balances by approximately \$83 million, which was primarily government agency securities
<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	We increased our allowance for loan losses by \$11.9 million, or 81%, from September 30, 2008, the quarter end immediately preceding receipt of CPP funds, to December 31 2009. Our allowance for loan losses was 2.46% at December 31, 2009, which was higher than many of our peers.

<input checked="" type="checkbox"/>	Reduce borrowings	We decreased our borrowings by \$51.4 million, which was due primarily to lower repurchase agreements with customers
<input checked="" type="checkbox"/>	Increase charge-offs	We absorbed \$15.3 million in net charge-offs in 2009.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The CPP funds have allowed us to maintain a strong capital position, with a leverage ratio of 10.55% at December 31, 2009, which should allow us to lend more extensively as the expansion gets underway again.

What actions were you able to avoid because of the capital infusion of CPP funds?

We have been able to maintain our staffing levels and have not incurred any reduction in staff. In addition, we avoided any issues related to liquidity during a very difficult 2009.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

In 2009, we decided to put our Florida operations up for sale. Given the state of the Florida economy, we suspected we would have to take a loss on such a sale. We would not have undertaken this effort, had we not had the additional capital to absorb the potential loss. However, we believe that the sale of these loans and deposits lowers the risk profile of the bank, improves our profitability and will allow us to deploy our capital more productively in Houston. An agreement was signed in the first quarter of 2010 for the sale.

In addition, the new capital gave us additional growth potential and allowed us to hire a new president and a new Chief Lending Officer to build our business banking platform.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

None